Medicaid Advisory Hospital Group

Division of Medicaid Services

Bureau of Rate Setting

June 9, 2023

Wisconsin Department of Health Services

Agenda

1. Introduction and Welcome
2. Rate Year 2024 Hospital Payment Updates
3. Potentially Preventable Readmissions
4. Additional Items
5. Questions

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Introductions

Rate Year 2024 Hospital Payment Updates

Rate Year (RY) 2024 Updates

- DHS will conduct annual grouper version updates for RY 2024 to be effective 1/1/2024:
  - Inpatient APR DRG **v40.0** (currently using v39.1)
  - Outpatient EAPG **v3.18** (currently using v3.17)

- RY 2024 model data to be relied upon:
  - Medicaid FFS claims and HMO encounter data with **Federal Fiscal Year (FFY) 2022** service dates (from 10/1/2021-9/30/2022) extracted from the June MMIS extract
  - Most recent available Medicare cost report data from the 3/31/2023 CMS HCRIS release

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RY 2024 Model Claims data

- FFY 2022 model claims represent the most recently available 12-month fiscal year of data with sufficient claim runout
  - Includes COVID-19 diagnosis codes
  - Avoids variation in volume that occurred in 2020 and from more recent peak Medicaid enrollment
  - Follows the traditional FFY model claims data basis, allowing for use of more recent cost report data

- Alternative timeframes would lack sufficient claim runout for a 12-month modeling period (ex: calendar year 2022)

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RY 2024 Model Inpatient Cases

- Preliminary summary based on January 2023 MMIS extract; will be updated using a new June 2023 data extract

Medicaid Inpatient Cases by Month

■ FFS Claims ■ HMO Encounters

FFY 2022

12,000
10,000
8,000
6,000
4,000
2,000
0

202101 202102 202103 202104 202105 202106 202107 202108 202109 202110 202111 202112 202201 202202 202203 202204 202205 202206 202207 202208 202209 202210 202211 202212

Note: Totals exclude dual eligibles

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RY 2024 Model Outpatient Claims

- Preliminary summary based on January 2023 MMIS extract; will be updated using a new June 2023 data extract

Medicaid Outpatient Claims by Month

FFS Claims | HMO Encounters

FFY 2022

175,000
150,000
125,000
100,000
75,000
50,000
25,000
0

202101 202102 202103 202104 202105 202106 202107 202108 202109 202110 202111 202112 202201 202202 202203 202204 202205 202206 202207 202208 202209 202210 202211 202212

Note: Totals exclude dual eligibles

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RY 2024 Inflation Adjustments

- Similar to prior years, DHS plans to apply annual inflation updates to the acute hospital APR DRG and EAPG standardized amounts, subject to evaluation of budget availability and expenditure impacts
  - Approach is subject to change based on the biennial budget outcome
- Preliminary modeled RY 2024 acute hospital standardized amount inflation adjustment factor is **2.92%**
  - Based on changes from RY 2023 to RY 2024 in CMS' Hospital Market Basket price index levels published April 2023; **will update based on CMS' next quarterly release in July**
  - Inflation increase will not result in a **2.92%** aggregate payment increases due to impact of outlier payments, net medical education add-ons, and new wage index factors
- Basis for cost-based rates will be based on more recent data, with inflation applied to RY 2024

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RY 2024 Wage Index Adjustments

- Per state plan requirements, DHS will adjust the labor portion of RY 2024 acute hospital DRG base rates by each's hospital wage index using values from the federal fiscal year (FFY) 2023 Medicare inpatient prospective payment system (IPPS)
  - For hospitals included in the FFY 2023 Medicare IPPS, RY 2024 wage indices are based on the FFY 2023 Medicare IPPS Final Rule "Wage Index With Quartile and Cap" (which includes reclassifications)
  - For hospitals not included in the FFY 2023 Medicare IPPS, RY 2024 wage indices are imputed based on the average wage index in the hospital's county (weighted based on inpatient model claim payments)

- FFY 2023 Medicare IPPS labor portion percentages are:
  - **67.6%** if hospital wage index **greater 1.0**
  - **62.0%** if hospital wage index **less than or equal to 1.0**

- Preliminary RY 2024 wage indices have been shared for provider review and validation (see handout 3)

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Rate Year 2024 APR DRG v40.0

- APR DRG v40.0 changes from v39.1 (Handout 1)

APR DRG	APR DRG Description
New DRGs Under v40.0 (no deletions)	
011	"Chimeric antigen receptor (CAR) T-cell and other immunotherapies"
Revised DRG Descriptions Under v40.0	
008	"Autologous bone marrow transplant **or T-cell immunotherapy**" (changed bolded)

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APR DRG v40.0 National Weights

- DHS proposes to continue to use 3M "standard" national weights for its RY 2024 APR DRG v40.0 relative weights

- 3M APR DRG v40.0 relative national weights are based on approximately 13 million inpatient claims from the National Inpatient Sample (NIS) Agency 2018 and 2019 research datasets of ICD-10 coded claims data(1)
  - The NIS is drawn from all States participating in HCUP **including Wisconsin**, covering more than 97% of the U.S. population
  - The NIS approximates a 20% stratified sample of discharges from U.S. community hospitals (excluding rehabilitation and long-term acute care hospitals)

Source: (1) 3M™ APR DRG v40.0 national weight file "Readme" worksheet.

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APR DRG v40.0 Weight Normalization

- DHS proposes to continue to **normalize** the 3M APR DRG national weights for RY 2024, consistent with prior years
  - Per 3M: “Payers and other users of 3M relative weights must therefore be careful to scale (up or down) the 3M relative weights to fit the characteristics of each payer’s unique population. In particular, payers should perform a financial simulation to ensure that the combination of APR DRG groups, relative weights, DRG base rates (as set by the payer), and other payment policies align with the payer’s target for total spending.”[1]
  - Changes in modeled aggregate case mix between v39.1 and v40.0 national weights (when using the same model claims dataset) represents **a change in scale, not actual acuity increases**
- Normalizing the weights involves the application of a statewide adjustment factor to the v40.0 national weights so that the aggregate modeled case mix is the same as v39.1 case mix
- Normalizing the national weights **reduces volatility** in year-over-year changes in DRG base rates

Source: (1) 3M™ APR DRG v40.0 national weight file “Readme” worksheet.

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APR DRG v40.0 Weight Normalization

- Preliminary RY 2024 APR DRG weight normalization factor calculation:

	Modeled RY 2023 v39.1 (Normalized)	Preliminary Modeled RY 2024 v40.0 (Unnormalized)	Preliminary Modeled RY 2024 v40.0 (Normalized)
Normalization factor	1.1081	1.0000	1.1783
Modeled case mix using FFY 2022 data	1.0820	0.9183	1.0820

- *Normalization calculation note: Preliminary factors based on FFY 2022 FFS claims and HMO encounters paid under APR DRGs for non-CAH hospitals, excluding transfer cases, extracted from the MMIS in January 2023. This analysis will be updated with more recent encounter submissions from the June 2023 MMIS extract before finalizing.*

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Other RY 2024 APR DRG Updates

Component	DHS Proposed Approach
DRG base rate inflation	▪ DHS plans to apply an annual inflation update based on changes in CMS input price index levels (subject to budget availability), and will evaluate expenditure impacts
DRG base rate wage index adjustments	▪ Will update based on the FFY 2023 Medicare IPPS correction notice (see handout 3 in Milliman report for validation purposes) ▪ Medicare IPPS exempt hospitals' wage index based on the county average (weighted by base payments)
DRG base rate GME add-ons	▪ Will update based on most recently available Medicare cost report data from 3/31/2023 HCRIS extract (see handout 3 Milliman report for validation purposes)
Outlier payment parameters	▪ Will update outlier cost-to-charge ratios (CCRs) based on the March 2023 Medicare IPPS provider-specific file (see handout 3 in Milliman report for validation purposes) ▪ Will evaluate the impact of other current factors
DRG policy adjusters	▪ No planned methodology changes – will evaluate the impact of current factors

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Rate Year 2024 EAPG v3.18

- EAPG v3.18 changes from v3.17 (Handout 2)

V3.18 Change	EAPG Description
New EAPGs (no deletions)	❑ **9** new EAPGs related to new ancillary/incidental EAPG types: - 900 AUTOPSY AND POST-MORTEM EXAMINATION SERVICES - 2009 INCIDENTAL HOME HEALTH, RESIDENTIAL AND OTHER RELATED SUPPORTIVE SERVICES - 2010 INCIDENTAL SKIN SUBSTITUTES - 2016 LEVEL II ALLERGY TESTS - 2050 HEALTH CARE PROFESSIONAL HOME HEALTH SERVICES - 2051 OTHER ANCILLARY HOME HEALTH SERVICES - 2070 MONTHLY CARE AND CASE MANAGEMENT SERVICES - 2071 MONTHLY BEHAVIORAL HEALTH CARE AND CASE MANAGEMENT SERVICES - 2072 MONTHLY TREATMENT MANAGEMENT SERVICES
Revised EAPG Descriptions	❑ **6** revised EAPG descriptions (changes in bold): - 82 **COMPREHENSIVE** CARDIAC ELECTROPHYSIOLOGIC **PROCEDURES WITH ABLATION** - 96 **CARDIAC ELECTROPHYSIOLOGIC PROCEDURES INCLUDING** PACING AND RECORDING - 116 **LEVEL I** ALLERGY TESTS - 261 ESRD **MONTHLY** CASE MANAGEMENT - 455 **INCIDENTAL BIOLOGICAL AND SYNTHETIC APPLICATION PRODUCT** - 3050 **OTHER** TRANSPLANT PROCEDURES ❑ **20** additional EAPG revisions (without description change)

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EAPG v3.18 National Weights

- DHS proposes to continue to use 3M EAPG national weights for its RY 2024 update to v3.18
  - 3M's v3.18 EAPG national weights are based on 106 million CY 2021 Medicare OPPS claims
- DHS proposes to continue to **normalize** the 3M EAPG national weights for RY 2024
  - Per 3M: "Care must therefore be taken to scale (up or down) the relative weights provided within the calculation to fit the average spend of the target population…Those using the national weights…should **make sure that the absolute value of relative weights** match the expected pattern for approved local spending and, if need be, **scale relative weights** so as to match that expectation while keeping relative differences constant."[1]
  - Normalizing the weights involves the application of a statewide adjustment factor to the v3.18 national weights so that the aggregate modeled case mix is the same as v3.17 case mix

Note: (1) 3M™ Enhanced Ambulatory Patient Groups (EAPG) Summary of Changes, version 3.18, 1/1/2023.

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EAPG v3.18 Weight Normalization

- Preliminary RY 2024 EAPG weight normalization factor calculation:

	Modeled RY 2023 v3.17 (Normalized)	Preliminary Modeled RY 2024 v3.18 (Unnormalized)	Preliminary Modeled RY 2024 v3.18 (Normalized)
Normalization factor	2.0 x 1.0565 = 2.1130	2.0000	2.0 x 1.0806 = 2.1612
Modeled case mix using FFY 2022 data	1.8836	1.7432	1.8836

- *Normalization calculation note: Preliminary factors based on FFY 2022 outpatient FFS claims and HMO encounters paid under EAPGs for non-CAH hospitals extracted from the MMIS in January 2023, and will be updated with more recent encounter submissions from the June 2023 MMIS extract before finalizing*

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Other RY 2024 EAPG Updates

Component	DHS Proposed Approach
EAPG base rate inflation	▪ DHS plans to apply an annual inflation update based on changes in CMS input price index levels, and will evaluate expenditure impacts
EAPG base rate GME add-ons	▪ Will update based on most recently available Medicare cost report data from 3/31/2023 HCRIS extract (see handout 3 in Milliman report for validation purposes)
Outpatient dental deep sedation add-on	▪ Will review the $700 per visit add-on payments made since January 2023 implementation and update for RY 2024 as needed to achieve the $1.5M aggregate target spend under 2019 WI Act 9, §9119(9)

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RY 2024 Cost Based Rates

- Will update cost-based rates using FFY 2022 FFS claims and HMO encounter data and Medicare cost report data with matching cost reporting periods
  - Psychiatric inpatient per diems
  - Psychiatric outpatient EAPG base rates
  - Rehabilitation inpatient per diems
  - LTAC inpatient per diems
  - CAH DRG base rates
  - CAH EAPG base rates
  - Department of Corrections Cost-to-Charge Ratio (CCR)

- No planned cost-based rate methodology changes; DHS will evaluate expenditure impacts

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Potentially Preventable Readmissions (PPR)

MY 2022 Preliminary Readmission Rates

- Measurement Year (MY) 2022 preliminary readmission results based on PPR grouper output have been calculated for each hospital
  - Provider-specific exhibits have been distributed
  - Results are subject to change based on the next quarterly MMIS extract and do not represent the final PPR analyses and withholding impacts for MY 2022
  - See Milliman 5/8/2023 report "Hospital Measurement Year 2022 Full Preliminary Readmissions Results"

- Final MY 2022 readmission results to be published in August and final MY 2022 P4P FFS payments to be published in September

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Statewide Readmission Rates - FFS

FFS Amount	Final MY 2018	Final MY 2019	Final MY 2020	Final MY 2021	Preliminary MY 2022
Readmission Rate	7.21%	7.18%	7.73%	8.11%	7.32%
Full benchmark (100%)	6.98%	7.12%	7.25%	7.66%	7.78%
Actual to Full Benchmark ratio	**1.033**	**1.008**	**1.066**	**1.059**	**0.941**
Target benchmark (92.5%)	6.46%	6.59%	6.71%	7.08%	7.19%
Actual to Target Benchmark ratio	**1.117**	**1.090**	**1.152**	**1.145**	**1.018**

- Final MY 2022 P4P FFS readmission benchmark to be determined by DHS

Sources:
Final MY 2018-2020: DHS MAHG 6/21/2022 meeting presentation
Final MY 2021: Milliman 9/20/2022 report "Hospital Measurement Year 2021 Final Readmissions Results"
Preliminary MY 2022: Milliman 5/8/2023 report "Hospital Measurement Year 2022 Full Preliminary Readmissions Results"

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Statewide Readmission Rates - HMO

HMO Amount	Final MY 2018	Final MY 2019	Final MY 2020	Final MY 2021	Preliminary MY 2022
Badger Care Plus Readmission Rate	4.24%	4.24%	4.32%	4.45%	4.41%
SSI Readmission Rate	12.42%	13.48%	11.58%	10.73%	11.94%

Sources:
Final MY 2018-2020: DHS MAHG 6/21/2022 meeting presentation
Final MY 2021: Milliman 9/20/2022 report "Hospital Measurement Year 2021 Final Readmissions Results"
Preliminary MY 2022: Milliman 5/8/2023 report "Hospital Measurement Year 2022 Full Preliminary Readmissions Results"

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PPR Dashboard

- Milliman’s online PPR dashboard using PowerBI is available for review

- Interactive dashboard contains:
  - MY 2019 Final (with 2017 benchmark)
  - MY 2020 Final (with 2018 benchmark)
  - MY 2020 Final (with 2019 benchmark)
  - MY 2022 Preliminary (with 2020 benchmark)
  - MY 2023 Q1 (with 2021 benchmark)

- Dashboard Access is available for additional hospital staff

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PPR Dashboard Access Process

1. Submit request via email to DHS at **DHSDMSBRS@wi.gov** and provide:
   - Full Name
   - Organization Name
   - Email Address
   - Phone Number
   - *Hospital only:* Requested hospital name(s) and Medicaid ID(s)
   - *MCO Only:* Requested MCO name(s) and MCO ID(s)
2. Once approved by DHS, Milliman will provide a temporary password via email (see User Guide)
3. PPR dashboard can be accessed at **https://app.powerbi.com/** (see User Guide)
4. Users must review and accept the user agreement

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HMO PPR Overview

- Initiative applies only to BC+
- $9 million potential reward to HMOs
- HMOs required to share 85% of their incentive with providers
- PPR reduction targets are set using 3M PPR software
- 3M Software calculates:
  - Qualifying Admissions
  - Baseline Readmissions
  - Baseline Year Actual to Benchmark Ratio (ABR)
    - Adjusted for severity of illness level per HMO

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HMO PPR Methodology

- The ABR compares the HMO-specific benchmark initial admissions to the actual initial admissions for that year[1]:
  - **ABR = 1** HMO's PPR performance was the same as the state-wide average PPR performance;
  - **ABR < 1** HMO's PPR performance was below (i.e., better than) the state-wide average PPR performance;
  - **ABR > 1** HMO's PPR performance was above (i.e., worse than) the state-wide average PPR performance;

Note: (1) Initial admissions are those determined to be followed by a PPR.

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HMO PPR Methodology

- DHS Calculates:
  - HMO tier level based on Baseline ABR
    - Tier 1 = High performance HMO; Baseline ABR <= 0.95
    - Tier 2 = Middle performance HMO; Baseline ABR => 0.96 but <= 1.05
    - Tier 3 = Low performance HMO; Baseline ABR => 1.06
  - Percent reduction in the Actual to Benchmark Ratio (ABR) compared to baseline year

$$\%\ reduction\ in\ ABR = \frac{[Baseline\ ABR - MY\ ABR]}{[Baseline\ ABR]}$$

  - HMO performance and amount of incentive earned per HMO

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HMO PPR Methodology

- Tiers help recognize the starting point (Baseline Year) for each HMO by setting different reduction targets and tying those targets to appropriate incentive proportions

Table: PPR Reduction Targets			
Proportion of Potential Incentive Share that is earned by the HMO	Baseline Tier (based on ABR)		
	Tier 1 - High performance HMOs	Tier 2 - Middle performance HMOs	Tier 3 - Low performance HMOs
1.00	5% or more	7% or more	10% or more
0.75	3% to 4.9%	4% to 6.9%	7% to 9.9%
0.50	1% to 2.9%	2% to 3.9%	4% to 6.9%
0.25	0.25% to 0.9%	0.5% to 1.9%	1.5% to 3.9%

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HMO PPR MY2021 Results

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K
A	B	= B (HMO) / B Total (Statewide)	= C / D Total	E	= E (HMO Tier Level)	G	= (E - G) / E	= F and H (Reduction Target Table)	= D * I	= J * 15%
HMO	**Qualifying Admissions in Baseline Year (2019)**	**Share of Qualifying Admissions**	**Potential Incentive**	**Baseline ABR (MY 2019)**	**Tier in Baseline Year (MY 2019)**	**MY 2021 ABR**	**% Reduction in ABR from Baseline**	**Proportion of Incentive Earned**	**Incentive Earned**	**15% HMO share**
Anthem	8,539	13.7%	$ 1,230,600.48	0.99	Middle	0.89	9.81%	100%	**$ 1,230,600**	**$ 184,590**
CCHP	9,469	15.2%	$ 1,364,627.70	1.14	Low	0.99	13.54%	100%	**$ 1,364,628**	**$ 204,694**
Dean	3,091	4.9%	$ 445,460.37	0.94	High	0.80	14.86%	100%	**$ 445,460**	**$ 66,819**
GHC - EauClaire	3,405	5.5%	$ 490,712.57	0.99	Middle	0.75	24.30%	100%	**$ 490,713**	**$ 73,607**
GHC - SouthCentral	466	0.7%	$ 67,157.73	1.04	Middle	0.83	20.09%	100%	**$ 67,158**	**$ 10,074**
iCare	2,147	3.4%	$ 309,415.53	1.15	Low	1.05	8.32%	75%	**$ 232,062**	**$ 34,809**
MercyCare	1,162	1.9%	$ 167,461.97	0.96	Middle	0.78	18.80%	100%	**$ 167,462**	**$ 25,119**
MHS	3,115	5.0%	$ 448,919.14	0.99	Middle	0.78	20.73%	100%	**$ 448,919**	**$ 67,338**
Molina	4,326	6.9%	$ 623,442.75	0.90	High	0.85	5.29%	100%	**$ 623,443**	**$ 93,516**
NHP	3,110	5.0%	$ 448,198.56	0.95	High	0.82	13.50%	100%	**$ 448,199**	**$ 67,230**
Quartz	3,115	5.0%	$ 448,919.14	0.92	High	1.03	0.39%	25%	**$ 112,230**	**$ 16,834**
Security	4,696	7.5%	$ 676,765.41	1.04	Middle	0.92	1.67%	25%	**$ 169,191**	**$ 25,379**
MyChoice*	1,555	2.5%	$ 224,099.28	1.06	Low	1.02	18.99%	100%	**$ 224,099**	**$ 33,615**
United HC	14,254	22.8%	$ 2,054,219.38	0.95	High	0.86	9.61%	100%	**$ 2,054,219**	**$ 308,133**
State-wide	**62,450**	**100.00%**	**$ 9,000,000.00**					**90%**	**$8,078,383**	**$ 1,211,757**

*Trilogy & Care Wisconsin combined to form MyChoice.

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Additional Items

HIE P4P Updates

- CY2022
  - Payments made April 28, 2023
- CY2023
  - Program deadline: December 31, 2023
  - Hospitals must be enrolled and obtain a “Live” status in order to receive an incentive

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DSH Updates

- SFY19 Examination Reallocation
  - Payments made 5/5/23
- SFY20 Examination
  - Results will be communicated to hospitals in June and July
- SFY23 Q4 DSH Payments
  - Payments processed 6/9/23, will be received by providers next week
- SFY24 payment limit calculation in progress
  - Results will be provided to DHS by September

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DSH Updates

- SFY21 Examination Timeline
  - MSLC possesses documentation for most providers. Examination on course to begin in first quarter (Jan – Mar) of 2024
- SFY22 Examination/SFY25 payment limit calculation timeline
  - Plan to send out surveys and data between October and December
- End of Enhanced FFP
  - DSH and CCS reduction over the next year due to FFP changes

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Hospital Assessment

- Upcoming hospital tax assessment re-calculation for SFY 2024
- Annual hospital SFY assessment verification email will be sent to MAHG contact list in August

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Access Payment Updates

- SFY2023 Fee-For-Service (FFS) claims "shut-off" June 21, 2023
  - FFS claims processed after June 15, 2023 for SFY2023 dates of service will not have an access payment applied
- SFY2023 Reconciliation Process will begin in September 2023

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Access Payment Updates

- SFY2022 Access Payment Recoupments & Payments will occur by June 23, 2023
  - Hospitals have until Friday June 16, 2023 to communicate to DHS if they would prefer to provide a voluntary recoupment check
- Upcoming SFY24 Access Payment Rates
  - New rates are expected to be applied by late August/early September
  - Retroactive adjustments to occur shortly after

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Public Health Emergency Unwinding

- The Federal COVID-19 emergency ended May 11th, 2023
- The Prolonged Stay payment program is no longer available for dates of service after 5/11.
- Copay exemptions and coverage for vaccines and testing remain in effect
- Provider unwinding resources are available on the ForwardHealth Portal along with updates on pandemic policy.

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Additional Grouper Resources

- Wisconsin DHS has worked with 3M to provide hospitals with **free** online APR-DRG and EAPG grouper resources
- http://aprdrgassign.com includes a web tool for grouping inpatient claims as well as APR-DRG and EAPG documentation
- Email DHSDMSBRS@dhs.wisconsin.gov for credentials and access

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Questions

Questions on today's presentation and comments from review of preliminary RY 2024 model inputs shown in handouts can be sent by email to: DHSDMSBRS@dhs.Wisconsin.gov

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Caveats and Limitations

The services provided for this project were performed under the signed contract between Milliman and the Wisconsin Department of Health Services (DHS) effective February 3, 2021. The results shown in these analyses are preliminary for discussion purposes only, and do not represent final rate year (RY) 2024 model rates, weights, or other factors. The RY 2024 hospital rate-setting work is still on-going and DHS has not made any final policy decisions.

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